

Form 140 Schedule A Itemized Deduction Adjustments

Who Should Complete This Form?

Generally, the itemized deductions allowed for Arizona are those itemized deductions allowable under the Internal Revenue Code.

In some cases, the itemized deductions allowed for Arizona will be different from the amount allowable under the Internal Revenue Code.

NOTE: *You should complete this form only if the itemized deductions allowed for Arizona differ from the itemized deductions allowed for federal purposes.*

Complete Form 140 Schedule A, Itemized Deduction Adjustments only if any of the following items apply to you.

1. You are deducting medical and dental expenses.
2. You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
3. You are deducting gambling losses while claiming a subtraction for Arizona lottery winnings.
4. You are claiming the credit for property taxes paid by a qualified defense contractor.
5. Your deductions allowable under the Internal Revenue Code include items allocable to income excluded from your Arizona taxable income.
6. You are claiming a credit for any amount allowed as a charitable contribution.

If any of the above items apply to you, complete a federal Form 1040 Schedule A and then complete Form 140 Schedule A, Itemized Deduction Adjustments as instructed below. If you telefile your federal Form 1040, you do not need to complete federal Form 1040, Schedule A. Instead, use the information on your telefile worksheet for 1040 filers to complete Form 140 Schedule A, Itemized Deduction Adjustments.

Do not complete Form 140 Schedule A, Itemized Deduction Adjustments if the above items do not apply to you. If you do not have to complete Form 140 Schedule A, Itemized Deduction Adjustments, enter the amount from federal Form 1040, Schedule A, or your telefile worksheet for 1040 filers on Form 140, line 19.

Line-by-Line Instructions

Lines 1 through 6

NOTE: *Skip lines 1 through 6 if you are **not** deducting medical and dental expenses.*

In most cases, the deduction allowed on the Arizona return will be larger than the deduction allowed on the federal return. On your Arizona return, you do not have to reduce your medical expenses by a percentage of your adjusted gross income.

Line 1

Enter the total of your medical and dental expenses after you reduce these expenses by any payments received from insurance or other sources. Do not reduce the amount you enter on line 1 by amounts paid from an MSA. Do not include insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the premiums in Box 1 of your Form(s) W-2. Also do not include any other medical and dental expenses paid by the plan unless your employer included the amount paid in Box 1 of your Form(s) W-2. If self-employed, do not include any amount paid for health insurance that you deducted in computing your federal adjusted

gross income. The medical and dental expenses for Arizona purposes are the same as for federal purposes.

Line 2

Enter any amount of medical and dental expenses included on line 1 that were paid from your MSA.

Complete lines 3 through 6 as instructed on the form.

Line 7

NOTE: *Skip line 7 if you are **not** claiming a federal credit for interest paid on mortgage credit certificates.*

Starting with 1999, if you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), you may deduct the amount of mortgage interest you paid for 1999 that is equal to the amount of that federal credit.

Lines 8 through 12

NOTE: *Skip lines 8 through 12 if you are **not** deducting gambling losses.*

Wagering losses can be deducted only to the extent of wagering gains. If you have reduced the amount of wagering gains included in your Arizona gross income by the subtraction allowed for Arizona lottery winnings, you may have to adjust your deduction for gambling losses.

Complete lines 8 through 12 as instructed on the form.

Line 13

NOTE: *Skip line 13 if you are **not** claiming the credit for property taxes paid by a qualified defense contractor.*

If you are a qualified defense contractor, you cannot claim both a deduction and a credit with respect to the same property taxes paid.

Line 14

NOTE: *Skip line 14 if you are **not** taking any credit for an amount allowed as a charitable contribution.*

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are taking a credit.

Line 15

Complete line 15 if any amounts allowed as a federal itemized deduction are for expenses allocable to income not subject to Arizona income tax. You must reduce your Arizona itemized deductions by such amounts.

Expenses allocable to income excluded from your Arizona taxable income would include:

1. Interest or other related expenses incurred to purchase or carry U.S. obligations, the income from which is exempt from Arizona income tax.
2. State taxes paid to other states for prior years if you were not an Arizona resident for that prior year.
3. Employee business expenses attributable to income excluded from your Arizona taxable income.

This list is not all inclusive. There may be other items for which you cannot take a deduction.

Enter the amount of expenses deductible on federal Schedule A that are allocable to income not subject to Arizona income tax.

Lines 16 through 22

Complete lines 16 through 22 as instructed on the form.